

**Testimony Submitted to the Committee on Human Services**  
**Re: Raised Bill No. 392: An Act Concerning Pharmacy Medicaid Reimbursement**  
**March 13, 2012**

Dear Senator Musto, Representative Tercyak and the members of the Human Services Committee;

My name is Edward Schreiner. I am a Pharmacist and owner of Stoll's Pharmacy, located in Waterbury, CT. I am also a member of the Connecticut Pharmacists Association and Chairman of the Board of Directors for Northeast Pharmacy Service Corporation (NPSC), a buying group of 254 participating pharmacies, including 98 stores in Connecticut.

I am submitting testimony to strongly support Raised Bill No. 392; An ACT Concerning Pharmacy Medicaid Reimbursement. This bill is a positive step in the right direction to guarantee the future health of small business in Connecticut. Raised bill No. 392 will serve to assure the continued viability of many independent community pharmacies and the jobs we create and sustain for local residents.

Many independent pharmacies, especially those located in inner cities with significant Medicaid populations, have been struggling to survive due to the drastic reductions in Medicaid reimbursement to pharmacies over the past few years. Numerous pharmacies such as mine, that have had a presence in their communities over multiple generations of ownership, are operating on shoe-string budgets and are holding on with the realization that positive changes such as Raised Bill No 392 must be implemented if we are to survive.

As a result of Medicaid reimbursement reductions and loss of business due the changes to the State Employee pharmacy program, my pharmacy has experienced an almost 15% reduction in gross profit dollars when comparing the second half of 2010 with the same period of 2011. Simply stated, this means that my pharmacy had 15% less revenue to spend on staff salaries and expenditures in the Waterbury economy. For my business to survive I have been forced to terminate plans to expand my workforce and have in fact reduced work hours for four full time employees. With these changes I will be able to achieve \$66, 352 in annual payroll savings. All of my employees live in Waterbury and surrounding towns. This is money that has been directly removed from our local economy. While I have been able to protect my employees from full lay-offs so far, this reduction still has not covered my entire 15% revenue reduction and I have spent most of the "rainy day" fund that I have built over the last 20 years to support the ongoing employment of my entire staff.

Past Medicaid reimbursement reductions have had other business ramifications as well. Since July of 2011, my business has reduced donations to local organizations by 55%. These groups include Waterbury PAL, Police Explorers, Easter Seals, High School Sports Associations, the Cystic Fibrosis Association and many other deserving organizations. For the first time in almost 25 years, I have eliminated funding for staff development. This represents over \$3,700 dollars spent in the local economy for food, lodging, and fees necessary for Stoll's management and employees to attend various pharmacy related functions.

As you are aware, Raised Bill No 392 is intended to expand consumer options by establishing more equitable reimbursement rates for pharmacies. Why is this necessary? Independent pharmacies cannot remain profitable at the same reimbursement rate as chains because we cannot purchase drugs at the same prices as chains. Chain pharmacies own and operate their own wholesalers and buy drug products directly from manufacturers, thus eliminating a middleman and their associated costs in the drug distribution system. While independent pharmacies combine their purchasing power by participating with buying groups, such as NPSC, drug manufacturers will not contract directly with buying groups as they do with chains. Thus the need to procure our drugs from primary and secondary wholesalers adds an additional layer of procurement cost for us.

It is my understanding that the current Medicaid reimbursement rate of AWP minus sixteen percent plus a professional dispensing fee of two dollars was established last year because chain pharmacies stated that this was the lowest reimbursement rate they would accept to remain participating in the Medicaid program. While this reimbursement rate may be appropriate for chain pharmacies, independents have never

stated that this rate is sustainable for us and we have been very outspoken in order to raise your awareness of this issue.

As opposed to locating my pharmacy in a big box store style footprint on a high traffic thoroughfare, many of my independent pharmacy colleagues and I have chosen to operate our businesses at an inner city location so as to be able to best respond to the needs of our community. Dispensing prescriptions to the Medicaid population is more labor intensive than other population groups. Language and educational barriers to proper medication use also require more resources from pharmacy staff. Our pharmacy has a mechanism in place to identify illiterate patients and to prompt the pharmacist to ensure that all aspects of a prescription are discussed verbally rather than simply attaching written literature to the bag of medications. Specialty packaging is often the only appropriate way to ensure that Medicaid patients with educational barriers take their medications correctly. The Medicaid population is transient in nature and often have limited access to transportation. Most independents provide free delivery service to ensure that our patients receive their medications in a timely manner. When fuel, workman's compensation contributions, insurance, vehicle and employee salary costs are considered, my company spends approximately \$36,300 on delivery expenses annually. This extrapolates out to an additional \$1.45 in cost per delivered prescription for my business.

I have heard chain store executives state that they feel that they dispense prescriptions the same way independents do. True "dispensing" goes way beyond preparing a prescription by processing the insurance claim, filling a vial with medication, and putting a label on it. It assures that procedures are in place so that all medications are provided to the patient in a manner commensurate with their skills and ability to use their medications properly. Using the examples cited above, it is clear that the workflow of independent pharmacies is much more dynamic than that of our chain pharmacy counterparts and we expend a large proportion of our financial resources to assure that our patients have access to their medications and use them appropriately.

As Raised Bill No 392 proposes, returning the reimbursement rate to AWP minus fourteen percent and establishing a dispensing fee of four dollars for independent pharmacies will provide a fair reimbursement rate for independent pharmacies. It allows us to compete on a more equitable playing field with chain stores, provides us with the ability to save existing jobs and promote job growth, and to continue to serve our local communities. Differential reimbursement rates have been approved and implemented by Medicaid programs in other states and written confirmation of this can be provided at your request.

In conclusion, I am asking the committee to strongly support Raised Bill No 392 and to vote to send it on to The Senate and House for approval. Your consideration of my comments is greatly appreciated.

Sincerely,  
Edward R. Schreiner, Jr., R.Ph.  
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